

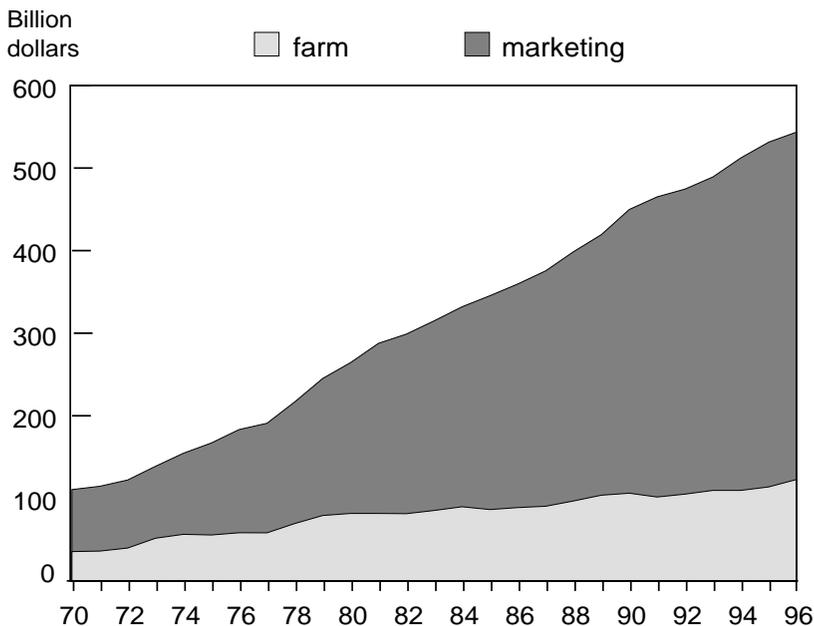
## ■ Farm-Retail Price Spread

**F**ood prices include payments for both the raw farm product and marketing services. In 1996, the farm value, or payment for the raw product, averaged 25 percent of the retail cost of a market basket of U.S. farm foods sold in foodstores. The other 75 percent, the farm-retail price spread, consisted of all processing, transportation, wholesaling, and retailing charges incurred after farm products leave the farm.

Figure 1-9.

### Distribution of food expenditures

*The marketing bill is 77 percent of 1996 food expenditures*



Data for foods of U.S. farm origin purchased by or for consumers for consumption both at home and away from home.

Figure 1-10.

Sources of food energy in the U.S. food supply

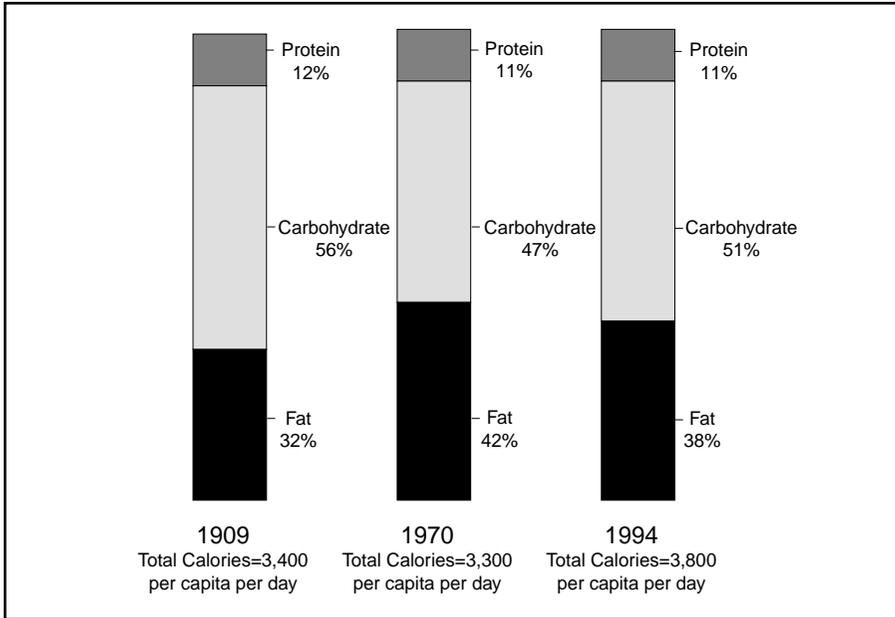


Figure 1-11.

Sources of total fat in the U.S. food supply

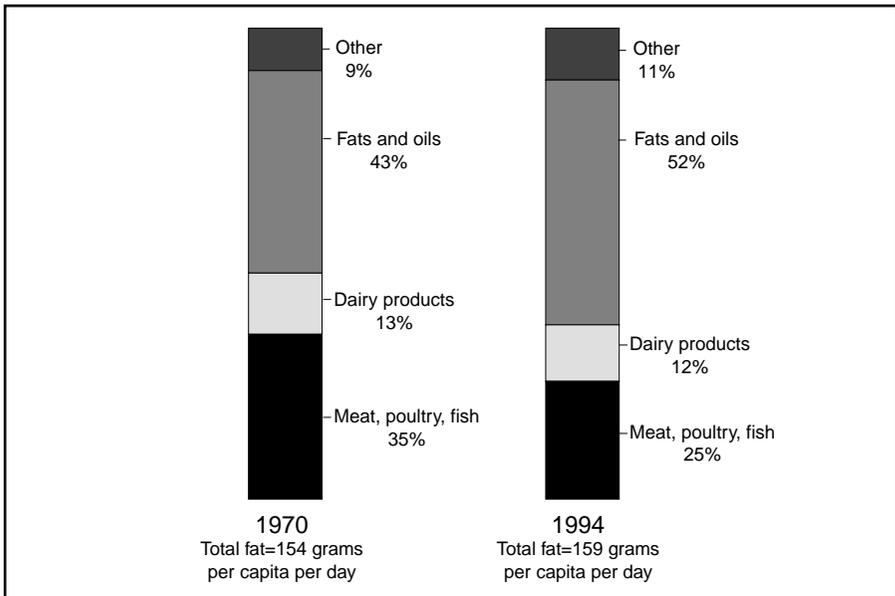
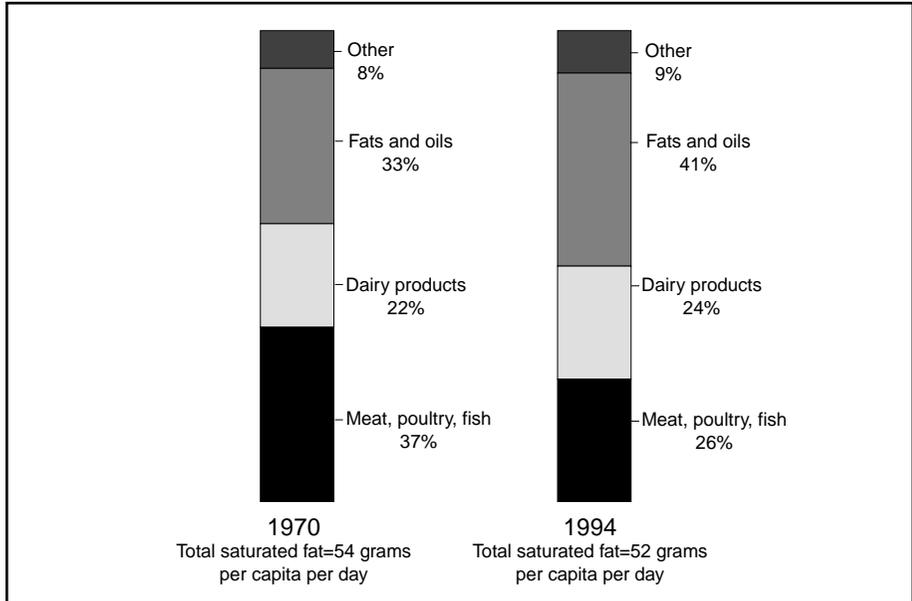


Figure 1-12.

Sources of saturated fat in the U.S. food supply



Farm-retail spreads have increased every year for the past 30 years, largely reflecting rising costs of labor, packaging, and other processing and marketing inputs. In 1996, farm-retail spreads rose an average of 3.3 percent and farmers received 2.2 percent less for the food they produced. The farm value as a percentage of retail prices was slightly higher in 1996 than in 1995. Meanwhile, retail food prices rose 4.4 percent. Widening farm-retail spreads continued to push up food costs in 1996.

The percentage of the retail price accounted for by the farm value varies widely among foods. Generally, it is larger for animal products than for crop-based foods, and smaller for foods that require considerable processing and packaging. The percentage generally decreases as the degree of processing increases. For example, the farm value of meat was 36 percent in 1996, while cereal and bakery products had a farm value averaging only 7 percent. The farm inputs needed to feed, house, and maintain the health of livestock are greater than the inputs required to grow crops. The additional manufacturing processes required for cereal and bakery products also result in a lower farm value than for meats. Most other foods also entail fewer inputs at the farm level. Other factors that influence the farm value percentage include transportation costs, product perishability, and retailing costs. Higher levels of these marketing factors tend to lower the farm value percentage.

Table 1-2.

Farm value as a percentage of retail price for domestically produced foods, 1986 and 1996

<i>Items</i>	<i>1986</i>	<i>1996</i>
	<i>Percent</i>	
Livestock products:		
Meats	47	36
Dairy	43	36
Poultry	54	44
Eggs	61	52
Crop products:		
Cereal and bakery	8	7
Fresh fruits	27	20
Fresh vegetables	28	20
Processed fruits and vegetables	23	19
Fats and oils	19	22